

News Release

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FOR IMMEDIATE RELEASE

Attorney General Goddard testifies at U.S. Senate Committee's field hearing on AZ's pipeline safety

(Phoenix, AZ – October 9, 2003) Attorney General Terry Goddard today testified at the United States Senate Commerce Committee's field hearing on Pipeline Safety in Phoenix.

Goddard testified that Arizona's economic future depends on affordable, reliable and safe supplies of both energy (fuel and electricity) and water and that Arizona is in a delicate position due to the scarcity of water and the lack of crude oil production or gasoline refining in the State.

While acknowledging that a reliable fuel supply is essential for maintaining a stable economy and way of life, Goddard stated that safety in supply is of utmost importance for the health of Arizona's people and environment, noting that fuel spills and other gasoline-related pollution affect the air, water and land.

"As Attorney General, I am charged with enforcing existing laws and representing State agencies, many of which have been working tirelessly to ease the damage caused by the recent Kinder Morgan pipeline shutdown," Goddard testified.

He added that his Office continues to work closely with the Governor's Office, the Governor's Gasoline Working Group, and other State agencies to evaluate what led to the gasoline shortage, and to develop long-term policy solutions. Goddard said he is also working with legislators on proposed price gouging legislation to deter and punish those who would take advantage of consumers during a state of emergency. According to Goddard, consumer feedback to his Office demonstrated overwhelming popular support for a "Price Gouging" law to protect consumers.

Goddard noted that gasoline prices in Phoenix skyrocketed from an average of \$1.54 per gallon for regular on July 30, before the pipeline rupture, to a record average high of \$2.14 per gallon on August 26. "These dramatic price increases caused lost income to businesses and consumers," said Goddard. "Hardest hit were the working families, those on fixed incomes, and gasoline-dependent businesses."

The Attorney General said that the gasoline shortages resulted in lost income due in part to transportation difficulties. "Working Arizonans could not get to work," he said. "Others did not drive for recreational purposes. Although difficult to quantify, Arizona likely experienced significant losses from tourism declines and event cancellations due to the instability the fuel shortage caused."

Goddard said he is investigating issues surrounding the gasoline supply shortage, including obtaining supply volumes from Kinder Morgan. That information is being evaluated.

"I am concerned about the potential harm to Arizonans and the Arizona environment where this, in some places, 55 year-old pipeline, was not properly inspected and violations were not vigorously enforced even in the face of probable safety violations," Goddard said. According to Goddard, from 1988 to 2001 the Arizona gasoline pipeline had forty-six probable non-compliance violations noted by the Arizona Corporation Commission. Since 1993, the Office of Pipeline Safety issued two non-compliance letters and one corrective notice, which was in response to the July 30, 2003 pipeline rupture.

Among the recommendations from the Attorney General were steps to ensure that property owners near the pipeline are properly informed and that all feasible and reasonable steps are taken to minimize risk to Arizonans. He also recommended increased frequency and thoroughness of inspections, stronger enforcement of violations, increased federal financial support for interstate pipeline inspections, increased authority for state inspectors and a more aggressive approach to pipeline security.

Note: For a pricing chart of Phoenix versus National average during the gasoline shortages please visit our website at www.ag.state.az.us or call 602-542-8084.